

*Accelerate Your Business*

Indiana Economic Development Corporation

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November 14, 2006

Amy Strati
Chief Legal Counsel
Indiana Department of Insurance

Dear Ms. Strati:

Pursuant to IC 4-22-2-28, the Indiana Economic Development Corporation ("IEDC") has reviewed the economic impact analysis for small business associated with rule changes proposed by the Indiana Department of Insurance ("IDOI") and contained in LSA Document 06-32, which amends 760 IAC 1-21. The proposed rule affects requirements for proof of financial responsibility, surcharge payments and amounts, certificates of insurance, types of insurance coverage, health care providers, settlement of claims, communication with the Patient's Compensation Fund and to otherwise implement IC 34-18.

The component of the proposed rule that potentially creates an economic impact for small businesses pertains to the surcharge to be paid by nursing homes to obtain coverage with the Indiana Patient's Compensation Fund (PCF). The PCF provides \$1,000,000 of coverage for medical malpractice liability in excess of the health care provider's liability of \$250,000. There are 285 nursing homes covered by the PCF. Of these the IDOI has identified 61 that are potentially small businesses as defined by IC 4-22-2.1-4. The average bed rate for the 61 nursing homes potentially identified as small businesses for the 2005 policy year was \$100.33 per bed. The proposed rates contained in the rule will be an average annual increase of \$99.47 per comprehensive bed and an average annual decrease of \$37.23 for per residential care bed. Services provided through comprehensive beds include a more extensive level of care than those associated with residential beds. The economic impact statement prepared for the rule does not identify other economic costs attributable to the rule. There are also no administrative costs associated with this rule.

Importantly, participation in the PCF is voluntary rather than mandatory. Less than half of the nursing home population in Indiana chooses to participate in the PCF. The IEDC does not object to the economic impact associated with the proposed rule. The rate adjustments are set by actuarial analysis and do create the potential for cost savings in addition to an increase in costs. Since participation in the PCF is voluntary, businesses are not required to incur the costs associated with the rule.

If you have any questions about the comments contained herein please contact me at 232-8962 or rasberry@iedc.in.gov.

Regards,

A handwritten signature in dark ink, appearing to read "Ryan Asberry", is written over a horizontal line.

Ryan Asberry
Director - Research
Indiana Economic Development Corporation